

# EXTENSIONS OF REMARKS

**CORRECTION OF TAX RULES WILL ENCOURAGE BETTER FORESTRY, ENVIRONMENTALLY SENSITIVE MANAGEMENT, AND A STRENGTHENED RESOURCE BASE FOR THE U.S. TIMBER INDUSTRY**

**HON. RON WYDEN**

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

*Monday, February 13, 1995*

Mr. WYDEN. Mr. Speaker, the debate in this House concerning Tax Code reforms traditionally has been focused on two primary issues: Is the current tax law fair, and does the code encourage economic growth and new jobs?

Today, I want to suggest that we address one other question: does the code encourage sustained management of an increasingly threatened national treasure—our 350 million acres of privately owned, commercial forest land.

Global warming, the deforestation of tropical timberlands, and our own efforts to preserve our dwindling supply of native, old growth timberlands have all lead us to reevaluate our planet's crucial need for trees.

As many of my colleagues are aware, I have for years advocated the position that our Tax Code contains severe disincentives for private forestry. With many of my colleagues from the Congressional Forestry 2000 Task Force, I have worked for reasonable changes in the law to overturn unfair obstacles to small woodlot owners who wish to keep their lands in long-term, sustained-yield, timber production.

Today, I and 16 of my colleagues reintroduce legislation which takes dead aim at one of the most egregious of the code's disincentives to private forestry, IRS passive loss rules. Our bill, the Forest Stewardship Act of 1995, puts our tax policy on the side of jobs, wildlife conservation and proper timber management—where the code always should have been.

This bill will restore to tens of thousands of small woodlot owners the right to deduct reasonable business expenses in managing their nonindustrial private timberlands. Incredibly, the Internal Revenue Service in the mid-1980s stripped these woodlot owners of this favorable tax treatment even though it would cost States like Oregon, which has more than 42,000 tree farmers, an untold number of timber industry jobs and undercut proper forest management.

I believe the IRS' position is entirely inconsistent with the intent and will of Congress in enacting the 1986 tax reforms. At the heart of the problem is the agency's stringent rule on material participation, the test that separates passive investors from active managers. Under the IRS' interpretation, which is based on an inflexible hours-per-year activity standard, many tree growers have been unfairly barred from deducting costs of doing business. That means they can't even use profes-

sional foresters to help manage their lands without endangering their active status under the law. The resulting mismanagement can mean less timber, inadequate conservation measures, and, ultimately, loss of the lands from the timber base.

This bill redefines the code to allow these farmers to deduct normal business expenses.

I'm proud to be joined in this effort by a bipartisan coalition of cosponsors—Representatives HERGER, CALLAHAN, DEAL, CRAMER, COOLEY, EMERSON, DEFazio, STUPAK, KLUG, WILSON, OBERSTAR, SPRATT, HAYES, FURSE, CHAPMAN, and RICHARD BAKER—who have worked very hard with me in crafting this legislation.

I would also point out that besides having the broad support of major timber associations representing both tree growers and the wood products manufacturing industry, this legislation has been advocated by environmental organizations including the Sierra Club, One Thousand Friends of Oregon, the Audubon Society, and others.

Mr. Speaker, it is not often that both the timber products industry and the environmental community agree on congressional legislation effecting forests management. The reason both of these often warring factions back this bill is quite simple: they understand that this narrow Tax Code change will: First, encourage better forest management by allowing tree growers to deduct the cost of professional forestry consultants; and two, discourage tree farmers from converting their increasingly valuable lands to non-forest uses.

As a consequence, wildlife habitat, watersheds, recreational values, and timber resources will be preserved.

In Oregon, we have something in excess of 3.3 million acres in small woodlot management. Our State forecasts on future timber needs already have identified these acres as an increasingly important source of trees for our mills. Already, these woodlands account for more than 10 percent of our tree harvest—public and private—in Oregon.

My colleagues, these forestlands account for real dollars, and real jobs. Discouraging their best-use management will have real, long-term, adverse impacts on employment and, consequently, IRS tax collections. No less a conservationist organization than our own One Thousand Friends of Oregon has sued the IRS, asking that the agency reconsider its regulations in this area.

I urge my colleagues to join us in cosponsoring the vital legislation.

**TRIBUTE TO HON. CHET HOLIFIELD**

**HON. CARDISS COLLINS**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Monday, February 13, 1995*

Mrs. COLLINS of Illinois. Mr. Speaker, as ranking member of the Committee on Government Reform and Oversight, I rise today in

tribute to a great legislator, our former colleague Representative Chet Holifield of California. This remarkable man served in Congress for 32 years, from 1943 to 1975, and during those years he was a member and later chairman of committees that were predecessors of the present committee. Last Sunday, February 5, Chet passed peacefully in Redlands, CA, at the age of 91.

During my first term in Congress, it was my privilege to serve with Chet as a member of the Committee on Government Operation, of which he had become chairman in 1970, following the passing of its prior chairman, Congressman William L. Dawson of Illinois.

Chet's extraordinary record of accomplishment in legislation and oversight covers such diverse and pioneering areas as Government reorganization, atomic energy, Federal procurement, Federal property and administrative services, national security operations, and Federal paperwork reduction. As a subcommittee chairman in 1949, he presided over the creation of the Federal Property and Administrative Services Act. These matters have been well chronicled in many publications. I would cite among them CONGRESSIONAL RECORD issues for March 25, 1970, March 7, 1972, November 26, 1974, and December 20, 1974, offering extensive tributes from colleagues. I am told, by the way, that this year, we may expect to see published the only authorized biography of Chet Holifield, dealing with his career as a legislator and nuclear statesman.

It is very fitting on this occasion to speak about the personal character of Chet Holifield. Chet was an American original, a leader, largely self-educated, morally courageous, enterprising, perserving, and unswerving in the service of his fellow men and his democratic principles. He was a model of the traits and values woven into the American ideal, not the least of which was the beautiful family life that he and his lovely wife Cam created with their daughters and their now 31 grandchildren and great grandchildren.

This personal character was a key factor in Chet's being able to achieve what he did. It enabled him to win respect, trust, and confidence from colleagues in both bodies of the Congress, from Presidents, from Federal officials, from representatives of the academic and business worlds, and from representatives of international agencies.

As I said, I did not know him long. Perhaps the best testimony about Chet's character is that of Members of this body who knew him well and worked with him over many years. Their remarks have provided inspired recognition of the man and his works. I should like to cite here three examples from remarks by committee colleagues in the December 20, 1974, CONGRESSIONAL RECORD. Chet by this time had announced his retirement.

The late Craig Hosmer of California, who, as the ranking Republican, served with Chet on the Joint Atomic Committee, stated:

Unique and extraordinary is the only phrase I know that properly characterizes

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